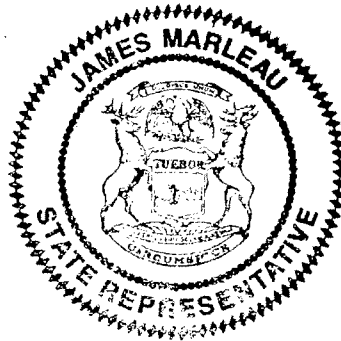


HB 4451, 5465 & 5466 Saves Taxpayers Money!



- Rather than increase its taxpayers liability this will give municipalities an opportunity to have more money available to pay other expenses and save money for its tax payers.
- This does not "paper over" unfunded liabilities it recognizes them and deals with them.
- The actual liabilities in the future will be less because of the additional earnings.
- This approach has been strongly endorsed by both of the major credit rating agencies (Moody's and Standard and Poors). Municipalities which recognize and handle their unfunded liabilities in this way will actually improve their credit standing.
- Many states across the country are already encouraging their local governments to us this approach to deal with unfunded retirement liability.
- The obligations which will be pre-funded by the issuance of bonds authorized by these bills already exist. No additional obligations are being assumed.

8 Requirements

For a local unit of Government to bond for unfunded retiree healthcare benefits, the following requirements must be met:

- 1) Require a local unit, before issuing the municipal security, to publish a notice of intent and prepare and make available to the public a comprehensive financial plan.**
- 2) Require the comprehensive financial plan to include, among other things, a debt service amortization schedule, a plan to mitigate the increase in health care costs, and documentation that issuing the security would result in projected present value savings regarding the unfunded accrued liability. The plan would also have to provide evidence that issuance of the securities, together with other funds, will be sufficient to eliminate the unfunded accrued liability.**
- 3) Allow voters 60 days after the publication of the notice of intent to file petitions for a referendum. A petition would need the signatures of at least five percent of registered electors, or 10,000 registered electors, whichever was less.**
- 4) Require the proceeds of the municipal security to be deposited in a particular trust fund, trust, or restricted fund within a trust, used to retire the municipal security.**
- 5) Specify that municipal securities currently outstanding could not exceed five percent of the state equalized valuation of the property assessed in the local unit issuing the securities.**
- 6) Provide that municipal securities could not on a cumulative basis exceed 75 percent of current unfunded accrued liabilities on post-employment health care benefits owed to employees of the local unit existing on the bill's effective date.**
- 7) Prohibit the issuance of a security unless the projected difference between the assumed rate of return on the health care trust fund investments and the projected actual interest rate paid on the municipal securities issued is at least 100 basis points.**
- 8) Specify that the securities issued would be secured by the general fund of the local unit and could include the phrase "general obligation limited tax" in the resolution authorizing the issuance. A local unit issuing securities without voter approval would not be authorized to levy any tax not authorized by law at the time of the issuance to pay for the municipal securities.**